



INFORMATION TECHNOLOGY
ASSOCIATION OF CANADA



ASSOCIATION CANADIENNE
DE LA TECHNOLOGIE DE L'INFORMATION

2019 Ontario Budget Announcement: Highlights

The Impact on the ICT Industry

At ITAC, our goal remains to continuously find ways for the Ontario ICT sector to collaborate with, and work closely with Government leaders to modernize, innovate and increase Ontario's standing as a global leader. ITAC and its members believe that we need to move from a discussion on why we need to move to digital, to how industry and Government can work together to achieve this goal. The April 11th 20 [2019 Ontario Budget announcement](#), the first of the Ford Government's mandate, was a first good step. However, we have concerns regarding talent and cuts to ministry funding.

Below is a brief synopsis of the announcement, focusing on initiatives impacting Ontario's information, communications and technology (ICT) sector.

This first budget of their mandate was focused on the "Open for Business" mantra that the Ford Government rode to election last year. This Budget was heavily expected to have very deep spending cuts, and while there were cuts to every department except for the Ontario Ministry of Health and Long-Term Care, and the Ontario Ministry of Education, the Ford Government surprised many with a more gradual approach than expected to reduce the deficit, and instead, focused heavily on service delivery for citizens.

Finance Minister Vic Fedeli has proposed a plan that will cut down the deficit in 2019-20; the Province of Ontario will pay \$13.3 billion in interest charges, making interest on the debt Ontario's fourth biggest ministry. The Progressive Conservative party's goal is to achieve a balanced budget by 2023-24.

To ensure that Ontario, and the Ontario Government, remains a leader and driver of Canada's digital economy, it's vital that today's government leaders recognize that future success depends on technology-fueled innovation. We cannot afford cuts that will impact the draw of talent and tech firms, local and international. ITAC will continue to drive this agenda forward and will rely on its members for input and support on all initiatives put forward.

ITAC looks forward to facilitating continued collaboration between government officials and industry leaders to serve the interests of all Ontarians and Ontario-based businesses to compete effectively in the global digital economy.

What was Announced in the Budget

A Digital Approach

Important for the ICT sector is a focus on improvements to provincial government digital services, which will be key to achieving the savings and the improved services outlined in the Budget Announcement. Minister Fedeli specifically highlighted their goal for the Government of Ontario to become *the leading digital government* in Canada.

The primary ITAC recommendation to the Government of Ontario through its [2019 Pre-Budget Submission](#) was to improve digital government to **make Ontario the first province to require an all-of-government digital approach**. This will help find efficiencies and supports the announcement of the adoption of a digital-first strategy to make more services available online and easier to use, and the shift from paper-based transactions to digital. Bringing Ontario into the 21st century through new technologies will be needed to allow the government to provide the level of digital services that its citizens have come to expect, that also match what is offered through the private sector.

Talent

In terms of **Talent** and **Education**, the Ontario Government announced measures to **help Ontario's tech sector to attract highly-skilled workers, through the Ontario Immigrant Nominee Program (OINP)**, which enables Ontario to nominate for permanent residence people who have the professional and educational skills needed to contribute to the province's economy.

As well, the government will implement a new round of **Strategic Mandate Agreements** with **Ontario's universities and colleges** to accelerate the number of highly skilled workers. Details of this will be crucial to see how post-secondary institutions can respond to the needs of industry today and into the future.

The government will also review its **suite of training programs**, including **Second Career** and the overall **Employment Ontario network**.

The new Budget includes measures to help increasing number of students in STEM programs, including coding, and to train professionals to combat the gulf between demand and supply of tech-savvy labour, and discussion around establishing programs that encourage the people of Ontario to get retrained. Setting incentives for postsecondary institutions to provide the education and training students need would be important for future skills needed by Canada's workers, including AI. The government also announced online resources to support student learning.

However, ITAC is deeply concerned about the government's disinvestment in K-12, resulting in the loss of teachers, increased class sizes, and the impact on student learning, especially those who are vulnerable/with special needs. Talent is vital to Ontario's (and Canada's) digital economy and we need to ensure we invest in our students from day one.

Domestic and International firms across the economy invest in Ontario is because of the quality of its tech talent. The province boasts some of the world's leading researchers and experts in high-demand fields like artificial intelligence and cyber security. But while today's announcement has several positive approaches to digital, ITAC strongly believes the Government of Ontario must continue to aggressively invest in education as the source of the province's economic prowess. Ontario must continue to develop its current talent resources, while investing in a skilled population that will be prepared to respond to disruptions in the economy of the future.

Ontario has a great opportunity to solidify its position as a global ICT leader, but we need more people with ICT skills, complemented by essential skills like critical thinking, adaptiveness, leadership and self-management. We as an industry recognize that technology is impacting every system and every industry. Ontario has a leadership position in Canada and globally, but we cannot coast. We need ongoing government investment to defend and grow the Ontario economy and ITAC will continue to message this with the Provincial Government.

Health Care

The Ontario Ministry of Health and Long-Term Care (MHLTC) was one of two departments that was not cut, with an overarching focus on hallways healthcare.

In the Budget, the Government announced an **additional investment of \$384 million towards hospitals, and additional \$267 million in home and community care**. Also, the **creation of an integrated health care delivery model and Ontario Health Teams** was highlighted.

There is support for implementing a **digital first for health strategy** by the government, including an increase in use of virtual care and digital tools to access personal health information. ITAC Health will continue to work closely with the MHLTC's Health Systems Information Management Branch and will keep membership informed and updated in the next few weeks.

In addition, there will be an impact on our members due to the creation of a centralized Ontario procurement system, created to better manage the purchase of products and devices for hospitals, home and community care. ITAC Health will engage the Procurement Task Force and other appropriate ITAC members going forward for their input into ways best to address this change.

Data Strategy

The previously announced **Ontario Data Strategy** was discussed, including a focus on Ontario's privacy and security. The Budget stated that the "government will fix outdated laws, policies and rules to put people at the centre of government decision-making" through a **Digital First legislation**.

Their goal is to adopt standards that are put into law, enabling sharing between ministries. It also includes updates to Ontario's privacy laws. The Budget also states that the government's Data Strategy will be developed based on feedback from Ontario's and Ontario-based business; will be transparent; and will ensure that people's data will remain private and secure.

An element of this is the naming of a panel to review intellectual property (IP) policy. Interestingly, the [Globe had reported](#) that it will be Chaired by **Jim Balsillie** and will be tasked with reviewing the effectiveness of provincially-funded institutions that commercialize innovations, such as universities and incubators, and will study how to make post-secondary institutions and accelerators more focused on generating IP. ITAC has engaged with the Ontario Government regarding the development of their Data Strategy and will continue to do so going forward. Also, ITAC will seek to engage directly with the IP Review Panel.

Increased Online Access

The introduction of the **Simpler, Faster, Better Services Act** in 2019, which addresses the reality that across the province, increasing numbers of people are access government services and information online. This Act is focuses on improving the online experience for Ontarians and transforming important government services.

Hillary Hartley, Chief Digital Officer has been appointed to lead a new digital service team and transformation across government. ITAC has engaged with Ms. Hartley in the past, including her presentation at a an ITAC-member event where she spoke to the ethos behind the organizational transformation underway in the provincial government, and how the Ontario Digital Service plans to collaborate with both internal and external partners to advance the mission of making government simpler, faster and better. ITAC is seeking to engage on the development of this Act and will reach out directly to Ms. Hartley. An example of their focus on service delivery: Ontario will look to shift as much of **ServiceOntario's top 10 transactions to online**, with the goal of 10 million in-person transactions to digital channels that will save up to \$33.5 million over next five years.

Procurement

A way to support small and medium-sized enterprises (SMEs) through a new **procurement initiative** was also addressed in the Budget. The government-wide strategic program to purchase innovative solutions and technologies from Ontario's small businesses (entrepreneurs, start-ups and scale-ups) is a key opportunity for the ICT industry.

In addition, the Government of Ontario stated that it will hold consultations in the coming months to develop a plan that puts **Ontario's R&D funding to better use**. From ITAC's perspective, an example of how funding could be utilized well is cyber security, a file in which the public sector needs the best cyber tech available to ensure Ontario's data is secure and provides a way for the province to support leading Ontario cyber SME companies. This aligns with the **ITAC Government**

Innovation Hub proposal that addresses this very issue. ITAC looks forward to engaging with government on these kinds of opportunities going forward.

Broadband

A focus on providing **Broadband in rural and Northern Ontario** was also announced, key to ensuring all citizens and businesses have (increased) access to government services (e.g. education and healthcare), **and to high-speed connectivity**. The government has indicated that it will invest \$315 million over the next five years. According to the announcement, the Province will provide more details as part of its Broadband and Cellular Strategy, which will be released later this year. ITAC looks forward to engaging on this Strategy.

Corporate Tax Relief

The Government of Ontario has stated it will provide \$3.8 billion in **provincial corporate tax relief** over six years through faster write-offs of capital investment under the Ontario Job Creation Investment Incentive, which would see the reduction of the small business corporate income tax rate by 8.7 per cent. Many of our members will be positively impacted by this change.

General Cuts to Funding

It is important to note that all but two Ministries (The Ministry of Health and Long-Term Care and the Ministry of Education) received cuts to funding. This includes **Government and Consumer Services** which is to implement changes to digital government and **Economic Development**, which tasked with both investment attraction and international promotion of Ontario technology, as well as regional tech incubators.

Competing as it does in an international marketplace for tech investments, it is important for Ontario to have the resources to be proactive on this front.

Open for Business – Incorporating Technology

Ontario's **Open for Jobs Blueprint**, looks at cutting red tape, lowering business costs, creating apprenticeship opportunities and modernizing employment and training services in the province. According to the Announcement, they are proposing to cut red tape so smaller video game developers can apply for the Ontario Interactive Digital Media Tax Credit annually and get their tax credits faster; are developing a one-window digital portal for apprentices; and investing in infrastructure – including broadband, and delivering quality health care, education and social services. ITAC will continue to monitor their Strategy and will engage with Government to ensure the ICT industry perspective is included whenever possible.

Other key areas addressed by the Government is a **review of funding to the Regional Innovation Hubs**. At present, Ontario has maintained support for programs that help attract and partner to grow domestic innovation hubs. ITAC is working with industry leaders and members on the first **Global Govtech Innovation Hub in Canada** – and will connect directly with leaders associated with the Ontario-based hubs as well.

Implementing the **Driving Prosperity** (previously announced), plan to strengthen competitiveness, innovation and talent in the auto sector. Increasingly auto jobs are more and more becoming technology jobs and it will be crucial that the Government works with the tech sector to ensure these auto jobs exist into the future. ITAC agrees with the statement that Ontario has a unique convergence of auto manufacturing, and that ICT gives the province an advantage in an industry that is being transformed by disruptive technology.

Modernizing the Justice System

New **investments to modernize the justice system** were also announced, that will focus on deploying technology and digital processes. We are looking forward to learning more about this, and how the ITAC and its members can help.

Modernizing the Pension Benefits Act

Under the “Facilitating Easier Digital Communications” section of the Budget, it was announced that the government is considering **future changes to the Pension Benefits Act to modernize the pension sector and streamline plan administration by permitting plans to use electronic communication as the default method**, with appropriate safeguards. Also, the government is proposing amendments to the *Insurance Act* that, if passed, would clarify that insurers may accept electronic beneficiary designations, subject to any requirements that may be prescribed in a rule by the Financial Services Regulatory Authority of Ontario. ITAC will continue to seek more information on these changes and will engage as appropriate.

What was Not Addressed in the Budget

When ITAC delivered its 2019 Pre-Budget Submission, the Association focused on highlighting the importance and ability of technology to help the government improve the way that its programs are delivered to its citizens and businesses, improving service delivery and saving money as a result.

This Submission aligned to the themes that had been outlined by the Government of Ontario, which shape ITAC’s four recommendations for change. These four recommendations were to:

- Modernize digital government operations that will improve taxpayer services by incorporating technology to drive government efficiencies and better services.
- Ensure the Ontario Government makes Cyber Security a priority (and as part of a new digital government, cyber security should be included by design for all new programs).
- Ontario should increase the number of students in science, technology, engineering and mathematics (STEM) programs.
- The Ontario public sector must accelerate a leadership position in the Ontario economy to capture and provide further opportunities to maximize the impact of Ontario innovation in artificial intelligence (AI), blockchain, machine learning, and other associated technologies.

The April 11th Ontario Budget fully addressed one of these recommendations – modernizing digital government operations. While cyber security is discussed as part the development of the Data Strategy and increasing students in STEM programs was also addressed, they did not go far enough to address the concerns of the ICT industry. Also, with the number of reviews announced around economic development, industry will have to wait to learn of future plans.

1. Technology is the Key to Driving Government Efficiencies and Better Services

ITAC called for a digital transformation of how the government works, interacts with, and serves Ontarians, as it is the only long-term solution that will reduce costs and the size of the government, while delivering more effective and convenient solutions for its citizens. This is especially the case in Ontario’s two largest expenditure areas – healthcare and education.

While we were pleased with the digital government plans announced, how these will be implemented will be key, especially given the reduction in the budget for Government and Consumer Services.

2. Efficiency Must Not Compromise Security

Ontario faces unprecedented, escalated cyber and information security threats. Unfortunately, while the Budget did identify that the government is aware that it will have to ensure the privacy concerns of its residents and businesses will have to be taken into account, limited funding was provided to do so. Many of the digital government plans announced will require significant investments in cyber security to ensure protection of citizen’s data.

3. Maintain Investments in Ontario’s Skilled Technology Workforce That will lead to Well Paying Jobs

Talent is the foundation of Canada’s ICT sector and of innovations in every sector of our economy. Ontario has created a world-leading system for training ICT workers from cutting-edge programs that produces graduates experienced in AI

and quantum computers, to underrated technical programs at our colleges. Ontario graduates are some of the best of the world and a driver of the Ontario tech boom.

The budget did not address finding ways to increase the number of students in Ontario training in technology fields – including women and other underrepresented groups; or look at launching a high-profile program to accelerate its growth of “high skill” ICT professionals.

Worker re-training will need to become a serious focus of Ontario’s education approach and digital learning could help this become more efficient and targeted. While there were some mentions of this, it was primarily related to traditional trades and not tech disruptions.

While the government did say it would create programs to encourage more students to enter STEM programs, it is related to future studies and does not address it from an earlier enough age.

4. Maintain Investment Attraction and Expansion Tools

Ontarians have proven that we have among the best technology workers in the world, and a business climate is highly attractive to the largest global tech firms– many of which have established major operations and R&D centres in the province and are engaging in leading innovation hubs. A favourable tax regime is vital for attracting investment. While the government did provide \$3.8 billion in provincial corporate tax relief over six years through faster write-offs of capital investment under the Ontario Job Creation Investment Incentive, the government is cutting the Ministry of Economic Development an international investment attraction initiatives. It is important that Ontario continues to be a leader in attracting foreign direct investments as well as finding international markets for homegrown technology.

Ultimately, technology is the key to improved service delivery for the government and the increased growth of our sector is crucial to maintain Ontario’s leadership position in the Canadian economy. Sound government policy and wise investments are needed to help the government modernize, and for Ontario technology industries to compete on a global scale in a global marketplace. Failure to provide this investment will result in hindered economic performance for businesses and the government and Ontario runs the risk of missing game-changing investment opportunities for the future of the province’s economy. ITAC looks forward to working with the Government of Ontario to advance these unaddressed recommendations.

Conclusion

A data-driven digital economy requires investment. Disruptive technologies provide opportunities and challenges for Ontario and they must be addressed through policies and initiatives. ITAC will continue to seek information from the provincial government regarding their ‘next steps’ on several technology issues, including those that will help improve efficiencies, innovation and the ability to increase Ontario’s overall competitiveness.

ITAC is looking forward to its continued work with key government officials and industry leaders to develop measures that will serve the interests of Ontarians and Ontario-based businesses to fully and safely compete in the global digital economy.